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Cy #2, Series A

11 December 1964

**Mr. Kermit Gordon
Director
Bureau of the Budget
Washington D. C. 20503**

Dear Mr. Gordon:

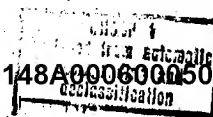
We have carefully reviewed the Bureau's proposed adjustments to the Fiscal Year 1966 budget levels for the Central Intelligence Agency and have assessed the impact of the proposed levels on Agency programs. As indicated in my letter of 3 December to the President, the Agency is making every effort to stabilize and if possible reduce both dollar and personnel requirements.

A reduction of \$4.9 million in personnel dollars is consistent with this stated objective. However, it should be noted that the ceiling goals outlined to you in the Agency's Manpower Report of 19 September provided for flexibility to adjust to selective on-coming programs. The funding level contained in the Bureau's proposal would remove this important flexibility.

The additional personnel and funds provided in your proposal for the European and African communications expansions are in accord with our request to the Bureau on this matter. I continue to feel that assumption of these additional workloads in the interests of the national communications system should not compete for the dollars and manpower required for the primary Agency mission.

Certain other proposed project adjustments identified by your staff can be accommodated without critical consequence. Specifically I include in this grouping the African communication

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relay center, the European consolidation of [REDACTED] selected reductions in covert collection and some downward adjustments in other general activities of the Agency. The aggregate of these acceptable changes when deducted from our initial NOA request of [REDACTED] and including provision for a reduced replenishment of the Agency's Reserve permits a downward adjustment of \$22.9 million to a new NOA of [REDACTED]. This amount provides for [REDACTED] for regular programs and [REDACTED] for replenishment of the Reserve. Stated otherwise, our minimum need exceeds the Bureau's proposed NOA for the Agency by [REDACTED] including a budget revision of \$750,000 to accommodate plans to relocate certain Agency offices in buildings in the Rosslyn area.

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It should be noted that our proposed level incorporates funds for Agency paramilitary capability against [REDACTED] and a reduced level for the development of [REDACTED] in our regular program rather than deferring these items, as suggested by the Bureau, for funding from the Reserve later next year. I feel most strongly that where programs are clearly known at the time of a budget submission to the Congress, the costs of such programs should be included and defended in the Agency budget under regular operations. They should not be deferred for funding from the Reserve. To do so distorts and manipulates the true level of Agency operations being submitted to Congress for authorization. If policy changes Agency requirement for these programs, adjustments can be made through the apportionment process next July.

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The Bureau's proposed reduction of 33 man-years from the Agency programs of research on the Free World is not acceptable. My responsibilities as Director of Central Intelligence require that I continue within CIA a competency to do independent intelligence analysis on any foreign area of the world. The revised NOA of [REDACTED] includes funds to cover an adjustment upward of 33 positions from the Bureau's personnel figures.

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I have not attempted here to comment on each detail of the Bureau's most effective review of the Agency budget. The Bureau's reviewing officer, Mr. Donald Smith, is to be commended for an extremely competent job and one that has been helpful to us as well as to the Bureau. For example, the Agency is taking action to further coordinate with State and AID on selected projects highlighted in the Bureau's review.

Recognizing that there are varied pressures on you in developing a responsible budget level for the total Government, I have instructed Mr. Kirkpatrick, my Executive Director, to take up with [REDACTED] the specific ingredients of our [REDACTED] level as they relate to the Bureau's proposals. I assure you we wish to make every effort to reach a mutually agreeable understanding with respect to the Agency program which will keep our NOA request at minimum levels. Of course, I will be most pleased to meet with you personally on any of these issues should you feel it is desirable.

Sincerely,

(Signed) JOHN A. McCONE

John A. McCone
Director

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